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For the Record on Social Security

Late February is now the time frame mentioned by the White House for unveiling President Bush's plan to privatize Social Security. The timing is no accident. By waiting until then, the president will conveniently avoid having to include the cost of privatization - as much as $2 trillion in new government borrowing over the next 10 years - in his 2006 budget, expected in early February.

In this and other ways, the administration is manipulating information - a tacit, yet devastating, acknowledgement, we believe, that an informed public would reject privatizing Social Security. For the record:

The administration has suggested that it would be justified in borrowing some $2 trillion to establish private accounts because doing so would head off $10 trillion in future Social Security liabilities. It's bad enough that the $10 trillion is a highly inflated figure, intended to overstate a problem that is reasonably estimated at $3.7 trillion or even considerably less. Worse are the true dimensions of the administration's proposed ploy, which were made painfully clear in a memo that was leaked to the press last week. Written in early January by Peter Wehner, the president's director of strategic initiatives and a top aide to Karl Rove, the president's political strategist, the memo states unequivocally that under a privatized system, only drastic benefit cuts - not borrowing - would relieve Social Security's financial problem. "If we borrow $1-2 trillion to cover transition costs for personal savings accounts" without making benefit cuts, Mr. Wehner wrote, "we will have borrowed trillions and will still confront more than $10 trillion in unfunded liabilities. This could easily cause an economic chain reaction: the markets go south, interest rates go up, and the economy stalls out."

At a recent press conference, Mr. Bush exaggerated the timing of the system's shortfall by saying that Social Security would cross the "line into red" in 2018. According to Congress's budget agency, the system comes up short in 2052; according to the system's trustees, the date is 2042. The year 2018 is when the system's trustees expect they will have to begin dipping into the Social Security trust fund to pay full benefits. If you had a trust fund to pay your bills when your income fell short, would you consider yourself insolvent?

In suggesting that 2018 is doomsyear, the president is reinforcing a false impression that the trust fund is a worthless pile of I.O.U.'s - as detractors of Social Security so often claim. The facts are different: since 1983, payroll taxes have exceeded benefits, with the excess tax revenue invested in interest-bearing Treasury securities. (An alternative would be to, say, put the money in a mattress.) That accumulating interest and the securities themselves make up the Social Security trust fund. If the trust fund's Treasury securities are worthless, someone better tell investors throughout the world, who currently hold $4.3 trillion in Treasury debt that carries the exact same government obligation to pay as the trust fund securities. The president is irresponsible to even imply that the United States might not honor its debt obligations.

Mr. Bush's reason for ignoring the far more pressing problem of Medicare while he pursues Social Security privatization is especially tortured. Over the next 75 years, the mismatch between revenues and

Medicare benefits for doctors' care and prescription drugs is 3.5 to 6 times as much as the shortfall in Social Security, according to the Center on Budget and Policy Priorities. The Medicare hospital trust fund mismatch is two to three times as big. Asked by a reporter last month why he wouldn't tackle Medicare first, Mr. Bush said that his administration had already taken on Medicare by pushing through the $500 billion-plus prescription drug benefit. Drug coverage, he said, would save money for Medicare by paying for medicine that would prevent the need for expensive heart surgery. "I recognize some of the actuaries haven't come to that conclusion yet," he said. "But the logic is irrefutable."

Logic? That thinking is wishful to the point of being magical. Medicare is not going to fix itself any more than tax cuts will pay for themselves. And Social Security is not a crisis for which enormous borrowing, huge benefit cuts and risky private accounts are a solution. Rather, it's a financial problem of manageable proportions, solvable without new borrowing by a combination of modest benefit cuts and tax increases that could be distributed fairly and phased in over several decades, while guaranteeing a basic level of inflation-proof income for life.

It appears that the president and his aides are trying to sow ignorance to gain support for their flawed privatization agenda. Lawmakers, policy makers and the American people have to let the administration know that they know better.